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March 17, 1998

Ms. Magalie Ramon Salas
Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

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MAR 17 1998

FCC TELETYPE

Re: CC Docket No. 97-250

Dear Ms. Salas:

Enclosed for filing please find an original plus four (4) copies of the Comments of Frontier Corporation on MCI's Emergency Petition for Prescription.

To acknowledge receipt, please affix an appropriate notation to the copy of this letter provided herewith for that purpose and return same to the undersigned in the enclosed, self-addressed envelope.

Very truly yours,



Michael J. Shortley, III

cc: ITS

Chief, Competitive Pricing Division

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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MAR 13 1998

CC Docket No. 97-250

In the Matter of

Tariffs Implementing Access
Charge Reform

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COMMENTS OF
FRONTIER CORPORATION

Introduction

Frontier Corporation ("Frontier"), on behalf of its interexchange and exchange carrier subsidiaries, submits these comments in partial support of MCI's emergency petition for prescription.¹ The January 1, 1998, access reform tariff filings² implementing the Commission's *Access Charge Reform*³ and *Universal Service*⁴ initiatives make it necessary for the Commission to act upon MCI's petition. The exchange carrier tariff filings make it clear that the Commission has created an overly complex and unwieldy access charge structure that is in need of -- if not complete overhaul -- at least modest tinkering.

¹ *Tariffs Implementing Access Charge Reform*, CC Dkt. 97-250, MCI Emergency Petition for Prescription (Feb. 24, 1998) ("MCI Petition").

² *Tariffs Implementing Access Charge Reform*, CC Dkt. 97-250, Order Designating Issues for Investigation and Order on Reconsideration, FCC 98-151 (Com. Car. Bur. Jan. 28, 1998) ("Designation Order").

³ See *Access Charge Reform*, CC Dkt. 96-262, First Report and Order, 12 FCC Rcd. 15982 (1997) ("Access Charge Reform Order").

⁴ See *Federal-State Joint Board on Universal Service*, CC Dkt. 96-45, Report and Order, 12 FCC Rcd. 8776 (1997) ("Universal Service Order").

First, the Commission should require exchange carriers to bill primary interexchange carrier charges ("PICCs") directly to end-user customers. The current arrangement places interexchange carriers in the position of being the involuntary collection agents enforcing the Commission's social agenda. However, they are unable to articulate to customers the basis for collecting PICCs as the Commission has chosen to make carriers keep it invisible in this fundamental shift from variable cost recovery to fixed cost recovery. The overall structure is inefficient and expensive -- the costs of which will ultimately be borne by consumers.

Assuming this structure survives, the Commission should require exchange carriers to provide verifiable and auditable data in order to permit interexchange carriers to verify and recover PICCs. The Commission should also abolish the distinction between primary and non-primary residential lines.

Second, the Commission should require exchange carriers to state separately the amount of any universal service contributions that they are passing through to interexchange carriers. While Frontier agrees with many of the suggestions of MCI, it does disagree, to a degree, with MCI's analysis of the causes of the current problems. As is amply demonstrated in the current investigation of the access reform tariff filings, exchange carriers -- including the Frontier Telephone Companies -- are being whipsawed by the Commission's finding "unexpected" results flowing from its *Access Charge Reform* and *Universal Service* orders.⁵

⁵ See, e.g., Designation Order, ¶ 77.

The Commission should adopt the reforms suggested herein and should do so in time for the July 1, 1998, access tariff filings.

Argument

I. THE COMMISSION SHOULD RATIONALIZE ITS PICC RECOVERY MECHANISM.

The current approach of assessing PICCs on interexchange carriers -- and hoping that the carriers do not pass them through -- makes no economic sense. Competitive forces operate unevenly and the current environment reflects this -- an uneven and varied set of strategies to maintain revenues while not losing critical market share. If the Commission wants something else, and something that remains economically rational, it should require exchange carriers to assess these charges directly upon end-user customers. If the Commission is unwilling to take this step, it should, in the alternative: (a) require exchange carriers to provide verifiable and auditable line counts; and (b) eliminate the distinction between primary and non-primary residential lines.

A. The Commission Should Require Exchange Carriers to Bill PICCs Directly to End-Users.

The Commission's approach created a new and complex variety of flat charges assessed on interexchange carriers that had to be recovered somehow. The thought that these charges could continue to be buried in per-minute rates was unrealistic. Like MCI, Frontier has many zero-usage or minimal-usage long distance customers, both residential and business customers.

Faced with these new flat-rated charges, Frontier confronted the financial necessity of recovering these charges in the most economically efficient means available -- namely, to pass-through these s imposed to its long distance customers. This approach ensures that each customer at least covers the externally-imposed costs of providing long distance service. PICCs represent tangible, identifiable and substantial costs that Frontier must recover, and it must do so in the most economically efficient manner available to it. The PICCs ultimately will be paid by end-user customers. It is simply more efficient to produce this outcome directly, rather than by indirection.

B. In the Alternative, the Commission Should Provide Interexchange Carriers the Means Accurately to Assess PICCs.

The Commission has produced a bewildering array of PICCs that create a verification nightmare. If the Commission is unwilling to require that PICCs be assessed upon end-users, it should at least simplify the process in two ways: (a) require exchange carriers to provide verifiable and available line counts; and (b) abandon the distinction between primary and non-primary residential lines.

1. The Commission Should Require Exchange Carriers to Provide Auditable Line Count Data.

Frontier's long distance operations have received invoices containing PICCs that are impossible to audit or verify. Line detail information is received late and cannot be audited or verified because Frontier does not have any way to verify the line classifications. For example, Frontier is generally not provided the information

necessary to distinguish Centrex lines from single or multi-line business lines or primary from non-primary residential lines. Absent such information, Frontier simply cannot accurately recover the costs of serving its customers in an efficient manner. Instead, it must estimate how PICCs become applicable, engage in delayed and corrective billings and incur additional, unnecessary costs. The process antagonizes customers who cannot be provided timely bills early in the process.

Unlike MCI, Frontier does not assess the fault upon exchange carrier billing inefficiencies. It believes that the Commission's own unnecessarily cumbersome structure causes this state of affairs. Nonetheless, MCI is correct that interexchange carriers should not be left unable to bill PICCs correctly because they have not been provided auditable line count data. On this basis, Frontier endorses MCI's suggestion that either exchange carriers provide current, auditable line count data or be responsible for collecting PICCs from end-user customers until they are capable of doing so. Only this will lead to minimal customer dissatisfaction.

2. The Commission Should Abandon the Distinction Between Primary and Non-Primary Residential Lines.

This distinction between primary and non-primary residential lines is untenable. As the *Designation Order* demonstrates, this is a distinction that can neither be rationally drawn nor rationally enforced. The Commission itself could not decide upon a definition of the distinction.⁶ As a result, in the context of the Access Reform Tariff

⁶ *Defining Primary Lines*, CC Dkt. 97-181, Notice of Proposed Rulemaking, 12 FCC Rcd. 13647 (1997).

Investigation, there is major disagreement over what the definition should be, how to verify line counts under any such definition and how to enforce any such definition. Moreover, the distinction creates endless varieties of ways to game the system. This classification should be eliminated at the first opportunity.

II. THE COMMISSION SHOULD REQUIRE EXCHANGE CARRIERS TO DESCRIBE EXPLICITLY THEIR USF ASSESSMENTS.

The Telecommunications Act of 1996 requires that all subsidies be explicit. Universal service contributions are undoubtedly subsidies, yet the Commission permitted exchange carriers to recover the universal service contributions through interstate access charges. Those contributions are embedded in various price cap baskets containing end-user revenues. Thus, Frontier's long distance operations cannot determine with precision how much -- and where -- they are being assessed exchange carrier universal service assessments. This prevents Frontier's long distance operations from determining how most efficiently to recover this additional cost of doing business.

In most circumstances, this would not present a major issue. However, the enormity of the federal universal service fund -- particularly the size of the schools, libraries and rural health care funds -- makes it an issue. Although Frontier agrees that the Commission had no choice but to create such funds and agrees with the core aims of the discount program, the size of the fund is totally unjustified. Given this state of affairs, Frontier concurs in MCI's request that exchange carrier recovery of universal service contributions be broken out as a separate line item on access bills. Indeed, the

Commission should place exchange carrier universal service recovery in its own basket subject to zero bands.

Conclusion

For the foregoing reasons, the Commission should act upon the proposals contained in the MCI Petition as suggested herein.

Respectfully submitted,



Michael J. Shortley, III

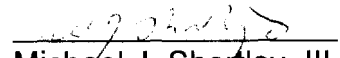
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March 17, 1998

Certificate of Service

I hereby certify that, on this 17th day of March, 1998, copies of the foregoing Comments of Frontier Corporation were served by first-class mail, postage prepaid, upon the parties on the attached service list.



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